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Budweiser's sales slipping

By Ira Teinowitz

The "king of beers" is starting to look less regal.

After years of growth, Anheuser-Busch's No. 1-selling Budweiser is showing signs of softening sales.

For a long time, Bud has been virtually alone in maintaining growth in the face of consumers' switch to light beers. But that may be changing.

Concerns about Budweiser could have led in part to the recent warning from A-B Chairman August A. Busch III that the company may increase discounting (AA, Oct. 30).

Both Information Resources Inc.'s InfoScan and Nielsen Marketing Research's ScanTrack show that Budweiser's sales through early September are down from a year ago.

InfoScan, which tracks supermarket and some drugstore beer sales (but not important bar, stadium or liquor store sales), showed Budweiser trending downward from about 15.5% of the grocery/drugstore market at the start of the year to slightly less than 15% in mid-September.

Grocery/drugstore sales account for roughly 70% of total beer sales, said Jerry Steinman, publisher of *Beer Marketer's Insights*. The grocery segment alone accounts for $6 billion in sales.

ScanTrack, which also relies mostly on grocery-store data, shows Budweiser's share dropping 0.3 points to 16.5% for the same period.

In some individual markets, Budweiser's fall is greater.

ScanTrack reported the beer is down 2.1 share points in Atlanta to 19.6%; 2.8 points in New York to 26.4%; and 2.3 points in San Francisco to 29.6%.

A-B executives declined several requests for comment on the declines.

The long switchover to light beers undoubtedly is getting to the flagship brand.

Light beers have more than doubled their volume from 1980 to 1988, while the industry saw only a 5.2% volume increase, said

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LAST MINUTE NEWS

Ayer buys Zwiren

CHICAGO—N W Ayer reached an agreement in principle to buy Zwiren, Collins, Karo, Trusk here and will merge it with Ayer's troubled Chicago office, sources said. Zwiren, which claims billings of $29 million, handles several consumer product brands of Miles Inc., its largest client. Zwiren President Jan Zwiren will keep that post at the merged agency. Ayer's office here was left with only Leaf Inc. and DAP following the loss of Deere & Co., Illinois Bell, regional Burger King Corp. business and other accounts recently (AA, Aug. 28).

Y&R to seek dismissal

NEW YORK—Young & Rubicam is expected to move to dismiss the federal bribery and conspiracy charges stemming from its handling of the Jamaica Tourist Board account, sources said. Lawyers for Steve McKenna, a former Y&R senior VP now on leave as senior VP-chief financial officer of subsidiary Wunderman Worldwide, are expected to move to have his perjury case separated from the agency's trial. Last week, Y&R delivered a motion to the clerk at U.S. District Court in Hartford, Conn., to take depositions of members of the Jamaica Tourist Board, which selected Y&R to handle the account in 1981. A Y&R spokesman said it has affidavits from board members saying "no one attempted to influence their decision to select Young & Rubicam." Y&R has denied charges it paid Jamaican businessman Arnold Foote Jr. to bribe former Tourism Minister Anthony Abrahams to get the $8 million account.

New tobacco bill offered

WASHINGTON—Sen. Edward Kennedy (D., Mass.) on Nov. 15 will introduce a bill prohibiting cultural and sports sponsorships by tobacco marketers as well as the appearance of models in tobacco ads, sources said. The bill represents the first attempt by the Senate to restrict tobacco ads. Sen. Kennedy, a longtime cigar smoker, is chairman of the Senate Labor & Human Resources Committee that

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Major changes in the next decade are revealed in Joe Cappo's "FutureScope."

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Kentucky Fried Chicken fights internal battle with franchisees.

A guy's fantasy: Car and Christie

Nissan Motor Corp. USA this week breaks its 1990 campaign featuring customers' driving fantasies. In one, a male fantasizes about driving a Nissan 240SX down a twisting highway. He talks about driving with his dog Astro, then switches to girlfriend Amy, completing the fantasy with model Christie Brinkley. Chiat/Day/Mojo created the spots. See story on Page 91.

Congress eyes PM's 'Rights'

By Steven W. Colford

WASHINGTON—A congressional committee this week will question whether Philip Morris Cos.' new $60 million "Bill of Rights" ad campaign is an attempt to skirt the federal ban against broadcast tobacco advertising.

Barely two weeks out of the box, the giant consumer products company's TV and print campaign is winning critics almost as quickly as it has lured phone calls from readers interested in obtaining a copy of the Bill of Rights.

Although the campaign, by Ogilvy & Mather, New York, makes no mention of cigarettes, tobacco or smoking, it's irritated health groups and members of Congress, including Rep. Thomas Luken (D., Ohio), whose Subcommittee on Transportation & Hazardous Materials has set a hearing for Nov. 15.

Although a committee aide declined to confirm the campaign would be the focus of the hearing, the aide acknowledged the session would target "current tobacco advertising that may conflict with" the TV ad ban.

■ **Is Philip Morris' ad for Virginia Slims Superslims a ruse?—Page 94.**

That also leaves open the possibility the Luken inquiry may examine R.J. Reynolds Tobacco Co. and its recent use of direct-mail home video ads for low-tar Now cigarettes (AA, Oct. 23).

Rep. Luken "is certainly aware of" the new Philip Morris campaign, the aide said, "and Rep. Luken usually doesn't like what the tobacco companies are doing."

A Philip Morris spokesman said the company was aware of the hearings but hadn't yet, to his knowledge, been invited to attend. The committee sent notices to potential witnesses late on Nov. 8, and the U.S. Postal Service was closed Nov. 10 for Veterans Day, adding more uncertainty to who may appear before the hastily convened hearing.

"We're proud of the campaign, and it speaks for itself," said Guy Smith, VP-corporate affairs at Philip Morris. "It's about the Bill of Rights, and that's all it's about," he said, stressing that it isn't cigarette advertising.

Even as Rep. Luken prepared for his hearing, a House committee and a Senate

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Anti-drug boost

Yellow Pages pledge $41M in PSAs

By Steven W. Colford

WASHINGTON—The nation's Yellow Pages publishers, in one of the largest single commitments to public service advertising, have pledged more than $41 million in 1990 ad space to anti-drug messages.

In a major boost to the campaign of the Media-Advertising Partnership for a Drug-Free America, the Yellow Pages Publishers Association leapfrogged over other media with a commitment for donated space likely to exceed $50 million next year once all the pledges are in.

Only the combined total of donated media time from local TV is believed to exceed the association's contribution, said Mike Townsend, communications director for the partnership.

The contribution was disclosed to President Bush Nov. 2 when YPPA President Ray Avedian and a bevy of other agency and media heavyweights visited the White House for a briefing (AA, Nov. 6).

The contribution was included in the figures when partnership Chairman James Burke estimated the current level of contributed media to be about $300 million, or about 20% short of the partnership's goal of $365 million a year.

Barely a year old, the Yellow Pages group recognized the opportunity to siphon away a fraction of its members' annual revenues—$7.8 billion in 1988—for a high-profile cause, said Larry Small, YPPA communications director.

The association encompasses more than 300 companies, including 150 Yellow Pages publishers, and its members account for about 96% of all Yellow Pages revenues.

Among the group's members committing sizable amounts of space next year are Bell Atlantic Corp., Nynex Corp., Illinois Bell, US West and Southwestern Bell Corp.

Mr. Avedian said the association learned of the partnership and its quest for donated media in April when Lynn Mapes, the partnership's retiring media director, addressed a YPPA board meeting. Mr. Mapes then spoke at the association's annual meeting Oct. 17.

"He was overwhelmingly received," Mr. Avedian said. "There wasn't a dry eye in the house. I'd call Lynn Mapes the Billy Graham of advertising, the way he talked."

Martin/Williams, the Minneapolis agency handling the association account, has already altered some partnership-created ads for distribution to member publishers.

Besides back covers, the anti-drug messages will be sprinkled liberally throughout the directories. □

Rivals gang up on IBM

By Jennifer Lawrence

The so-called Gang of Nine is unleashing its first IBM attack ad with a 24-page insert in *The Wo'l Street Journal*.

When the group of personal computer marketers runs the ad Nov. 14, it's likely Big Blue will see red.

In an advertorial format, the group, which includes Compaq, NEC and Tandy, makes the case for open computer design standards rather than proprietary standards set by a single company.

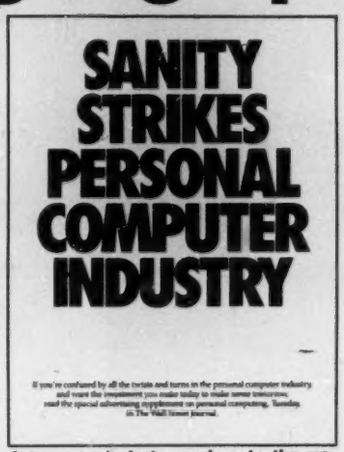
That single company is IBM Corp., though the computer giant isn't mentioned by name.

The ad supplement, featuring both editorial-type copy and page ads, sets the stage for a new generation of high-performance PCs based on Extended Industry Standard Architecture, or EISA.

IBM abandoned the industry standard 2½ years ago when it switched to Micro Channel Architecture, a proprietary pathway design for high-performance PCs.

About half a dozen companies will unveil their EISA products at the Comdex/Fall '89 trade show that starts today.

The long-awaited products will give consumers an alternative to IBM's PS/2 machines, prompting what analysts expect will develop into a heated product battle and increased advertising.



A teaser ad alerts readers to the upcoming ad supplement.

One marketing insider expects PC category spending—now at around $400 million—to jump to $500 million in 1990.

The gang, also called the EISA consortium, includes AST Research, Compaq Computer Corp., Epson America, Hewlett-Packard Co., NEC Technologies, Olivetti USA, Tandy Corp., Wyse Technology and Zenith Data Systems Corp.

The group is said to be spending more than $1 million this week alone to position EISA products against IBM's PS/2 Micro Channel Architecture machines.

The ad supplement is meant to communicate the "breadth of support" in the marketplace for EISA, said Kirk Walden, senior VP-client service director at Ogilvy & Mather, Houston, the agency that coordinated the gang's advertising.

O&M worked with client Compaq, the eight other companies and their agencies to produce the insert and a teaser ad running today in the *WSJ* and *Barron's* headlined

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Wall open to 'paradise'

By Dagmar Mussey and Kevin Cote

Last weekend, the Frankfurt-based chairman of Ogilvy & Mather Germany, Hans-Juergen Lange, went to visit relatives in East Germany, the first time he could freely do so in many years.

Mr. Lange, born in Leipzig, had fled with his family shortly after the end of World War II. He, like other former East Germans, has been prevented from visiting relatives' homes freely.

"This is a development nobody had expected," he said, commenting on the surprise opening Nov. 9 of the 28-year-old Berlin Wall.

But along with being reunited with family, East Germans pouring into West Germany are grabbing up Western goods and enjoying generous donations from global marketers.

Procter & Gamble Co. has been sending trucks full of Pampers disposable diapers, Ariel detergents, Blend-a-med toothpaste, Shamtu shampoo, Vicks cough drops and Punica orange juice to the various camps along the West German border.

Colgate-Palmolive Co. has also donated goods.

West Berlin, where more than 10,000 East Berliners visited for the first time Friday, is experiencing the largest shopping spree in the city's history.

"These people are wandering around in this paradise in wonderment with a look of shock and disbelief in their eyes," said Wilhelm Stratmann, chief executive of KaDeWe, West Berlin's upscale department store.

East Germans clogged KaDeWe's gourmet food and record departments, making small purchases with their East German marks.

Since the first wave of immigrants arrived in October, economists have predicted a consumer spending boom as East Germans acquire Western goods.

The economic growth could benefit the media and agencies. "We have reason to believe a free press is emerging fairly fast," said West German-born Willi Schalk, BBDO Worldwide president-chief operating officer. "I have reason to believe there are some [mem-

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Ratios indicate hikes in ad levels

LINCOLNSHIRE, Ill.—Healthcare and electronics are among the categories expected to significantly boost ad spending this year, according to the latest study by Schonfeld & Associates.

The 13th edition of Schonfeld's study, "Advertising Ratios & Budgets," uses data from more than 5,700 public companies in more than 400 industry sectors to compile ad spending estimates and advertising-to-sales ratios. The accompanying chart shows estimated 1989 ratios for 200 of the largest ad-spending industries.

Both the hospitals and hospital and medical service plans categories will spend about 25% more this year, the study projects. The radiotelephone communications category can expect better than 28% growth, and cable and pay TV services will be up more than 20%, it says.

The data are compiled from a variety of sources, including the 10-K financial reports of publicly held companies.

Estimates and forecasts are developed through historical data.

Based on these data, the accompanying table shows industries listed by four-digit Standard Industrial Classification code, advertising expenditures as a percentage of sales and as a percentage of gross margin (sales minus cost of goods sold) and the ad expenditure growth (or decline) percentage for 1989 compared to 1988.

Eugene P. Schonfeld, author of the study, advises caution in use and intepretation of the data because:

- Expenditures included as advertising in 10-K and other financial reports may vary from company to company.
- Financial events such as mergers, acquisitions and divestitures may distort spending patterns.
- Private ownership of very large companies in specific industries may mean that some significant ad expenditures are omitted.
- Multi-industry companies are reported only in their primary industry, based on sales of their dominant line of business.

Also included in the study are forecasts for 1990 ad spending. It contains sales growth rates as well as advertising growth rates by company.

The large diversified food companies are forecast to spend $8.4 billion in advertising in 1990, up 13%. Restaurant chains will show 7.6% ad budget growth on spending of $1.5 billion, the report predicts. The amusement and motion picture industries are also expected to share in the fun with ad growth rates above 13%. Others looking at double-digit growth include airlines, health services, mail order and financial services.

Copies of the complete 222-page study are available for $295 ($285 prepaid) from Schonfeld & Associates, 1 Sherwood Drive, 60069. Phone: (312) 948-8080. Data are also available on diskettes. □

Advertising-to-sales ratios, 1989

Computed by industry.

Industry	SIC no.	Ad dollars as percent of sales	Ad dollars as percent of margin	Annual growth rate (%)
Abrasive, asbestos, misc minerals	3290	1.3	3.8	(1.0)
Adhesives & sealants	2891	4.4	9.5	11.3
Agriculture chemicals	2870	1.2	4.3	26.1
Agriculture production-crops	100	2.1	6.0	7.8
Air cond, heating, refrig equ	3585	1.5	5.8	13.3
Air courier services	4513	1.5	8.4	9.3
Air transport, scheduled	4512	1.8	16.0	12.7
Aircraft parts, aux equip, NEC	3728	0.8	3.5	9.4
Apparel & other finished prods	2300	2.9	8.0	7.2
Apparel & accessory stores	5600	2.4	5.9	11.6
Auto & home supply stores	5531	2.3	7.0	18.5
Auto rent & lease, no drivers	7510	2.8	4.0	7.7
Automatic regulating controls	3822	8.2	31.7	7.9
Bakery products	2050	1.7	3.7	4.8
Beverages	2060	9.5	17.0	11.3
Bldg matl, hardware, garden-retl	5200	4.0	8.5	(8.7)
Bolt nut screw rivets washers	3452	0.9	2.9	6.0
Books-publishing & printing	2731	3.3	8.1	10.8
Brdwoven fabric mill cotton	2211	2.8	11.7	6.9
Bttld & canned soft drinks, water	2086	2.9	6.2	15.5
Business services, NEC	7389	6.6	13.2	8.0
Cable & other pay tv services	4841	2.2	3.9	20.3
Can fruit, veg, preserv, jam, jel	2033	2.2	6.9	7.4
Can/frozen preserv, fruit, veg	2030	6.9	17.1	7.3
Carpets & rugs	2273	0.7	2.8	13.0
Catalog, mail-order houses	5961	5.7	15.8	11.0
Chemicals & allied prods	2800	2.7	6.7	13.8
Child daycare services	8351	1.6	3.5	19.9
Cigarettes	2111	5.7	12.9	9.1
Computer & software stores	5734	0.9	3.4	8.7
Computer integrated sys design	7373	1.8	3.9	12.0
Comp processing, data prep svc	7374	0.7	2.0	7.4
Commercial printing	2750	1.9	6.8	15.4
Communications equip, NEC	3669	2.1	5.6	10.1
Computer & office equipment	3570	1.2	2.7	9.7
Computer peripheral eq, NEC	3577	2.0	4.7	12.0
Computer storage devices	3572	1.1	4.1	14.2
Computer terminals	3575	2.7	8.3	5.9
Construction machinery & equip	3531	0.9	3.3	14.7
Convrt paper paprbrd, except box	2670	1.9	4.3	11.1
Cookies & crackers	2052	4.8	9.1	2.7
Cutlery hand tools, gen hrdwr	3420	10.9	21.5	10.9
Dairy products	2020	4.7	14.6	9.9
Dental equipment & supplies	3843	3.2	7.7	80.3
Department stores	5311	2.9	14.3	6.5
Drug & proprietary stores	5912	1.5	5.6	9.9
Eating places	5812	3.3	16.5	7.6
Educational services	8200	5.0	9.4	17.6
Elec meas & test instruments	3825	2.5	4.8	8.6
Electr, other elec eqp, ex comp	3600	3.1	9.2	10.7
Electric housewares & fans	3634	4.0	15.4	(10.9)
Electric lighting, wiring equip	3640	3.2	9.6	10.0
Electrical work	1731	1.2	12.6	28.1
Electromedical apparatus	3845	1.3	2.2	16.2
Electronic comp, accessories	3670	0.9	2.6	3.2
Electronic components, NEC	3679	1.4	4.7	10.6
Electronic computers	3571	5.1	10.3	14.4
Electronic connectors	3678	1.6	3.8	15.4
Electronic parts, equip-whsl, NEC	5065	1.6	5.5	12.0
Employment agencies	7361	5.7	17.8	21.3
Engines & turbines	3510	1.7	6.3	7.5
Engr acc resh mgmt rel svcs	8700	1.8	7.7	1.2
Equip rental & leasing, NEC	7359	3.7	5.7	3.9
Fabricated rubber prods, NEC	3060	0.4	1.5	52.2
Facilities, support mgmt svcs	8744	2.4	34.3	23.8
Family clothing stores	5651	1.9	5.9	9.8
Farm machinery & equipment	3523	1.4	7.6	(4.5)
Finance-services	6199	0.6	3.7	4.1
Food & kindred products	2000	7.8	18.7	13.0
Footwear, except rubber	3140	3.4	9.9	5.9
Furniture stores	5712	7.1	15.7	7.0
Games, toys, child veh ex dolls	3944	14.2	29.3	8.1
Gen med & surgical hospitals	8062	0.8	4.5	(2.5)
Glass, glassware-pressed, blown	3220	2.7	6.7	7.9
Grain mill products	2040	9.4	20.6	8.8
Greeting cards	2771	5.1	10.3	11.7
Groceries & related pds-whsl	5140	1.5	10.7	10.6
Grocery stores	5411	1.3	5.5	5.6
Guided missiles & space vehc	3760	5.3	170.1	6.4
Hardware, plumb, heat eqp-whsl	5070	1.4	12.4	9.5
Help supply services	7363	1.3	5.3	2.9
Hobby, toy & game shops	5945	1.6	5.0	11.6
Home furniture & equip stores	5700	5.0	10.3	10.5
Hospital & medical svc plans	6324	0.7	14.9	26.1
Hospitals	8060	5.0	29.7	24.9
Hotels, motels, tourist courts	7011	3.4	10.7	5.0
Household appliances	3630	4.2	14.0	77.8
Household audio & video eqp	3651	2.8	9.8	10.6
Household furniture	2510	4.8	14.6	12.1
Ice cream & frozen desserts	2024	6.9	25.6	16.6
Industl inorganic chemicals	2810	16.5	34.4	19.8
Indl trucks, tractors, trailers	3537	1.4	5.4	4.5
Industrial measurement instr	3823	1.6	3.7	10.7
Investment advice	6282	8.6	19.9	11.3
Iron & steel foundries	3320	1.2	4.2	12.0
Jewelry & watches-whsl	5094	3.9	25.0	10.6
Jewelry stores	5944	3.3	6.9	(5.8)
Knitting mills	2250	1.9	6.8	10.0
Lab analytical instruments	3826	1.7	3.3	7.9
Lab apparatus & furniture	3821	1.2	2.7	16.3
Lawn, garden tractors, equip	3524	4.0	11.3	13.6
Lumber & other bldg matl-retl	5211	1.8	6.9	6.8
Machine tools, metal cutting	3541	1.3	5.2	0.5
Magnetic/optic recording media	3695	3.6	9.7	13.7
Malt beverages	2082	8.4	21.7	7.7
Manifold business forms	2761	0.8	2.1	7.2
Meatpacking plants	2011	1.2	9.4	15.3
Membership sport & rec clubs	7997	11.0	13.5	18.8
Men, youth, boys frnsh, wrk clthg	2320	2.7	9.0	12.8
Metal forgings & stampings	3460	1.6	6.0	7.5
Metalworking machinery & equip	3540	5.5	14.0	12.9
Misc amusement & rec services	7990	6.5	18.0	15.9
Misc chemical products	2890	6.1	17.2	7.8
Misc elec machy, equip, supplies	3690	3.1	8.9	(12.1)
Misc fabricated metal prods	3490	0.7	2.7	12.4
Misc food preps, kindred prods	2090	2.9	7.8	10.9
Misc general mdse stores	5399	3.1	11.6	3.7
Misc industl comi machy & equip	3590	2.4	7.2	(2.9)
Misc manufacturing industries	3900	3.0	6.5	10.5
Misc plastics products	3080	1.9	10.9	5.1
Misc shopping goods stores	5940	3.7	9.5	5.2
Motion pic, videotape production	7812	9.8	18.7	13.2
Motion pic, videotape distrib	7822	13.0	15.1	26.8
Motion picture theaters	7830	4.3	20.6	17.5
Motor homes	3716	1.7	11.2	10.6
Motor veh parts, supply-whsl	5010	2.8	20.6	23.6
Motor vehicle parts, accessory	3714	1.6	6.4	27.5
Motor vehicles & car bodies	3711	1.7	7.3	12.6
Motorcycles, bicycles & parts	3751	1.6	6.5	21.5
Motors & generators	3621	0.9	2.7	4.5
Newspaper-publishing & print	2711	3.6	10.2	12.9
Office furniture	2520	1.2	3.7	9.9
Office furniture, ex wood	2522	2.0	6.0	9.6
Office machines, NEC	3579	1.4	4.3	5.6
Operative builders	1531	1.2	4.2	21.0
Operators-nonres bldgs	6512	3.7	8.0	8.2
Ophthalmic goods	3851	10.5	18.5	19.7
Ortho, prosth, surg appl suply	3842	1.8	4.2	12.5
Paints, varnishes, lacquers	2851	3.7	9.6	9.5
Paper mills	2621	3.6	11.1	2.0
Patent owners & lessors	6794	3.0	7.1	6.8
Pens, pencils, other office matl	3950	5.4	11.1	9.2
Perfume, cosmetic, toilet prep	2844	10.4	16.1	24.6
Periodical-publishing, printing	2721	3.7	6.7	5.4
Personal credit institutions	6141	1.5	2.6	5.8
Personal services	7200	5.7	16.0	3.4
Petroleum refining	2911	2.7	9.0	14.3
Pharmaceutical preparations	2834	6.8	10.1	9.8
Phone comm, ex radiotelephone	4813	2.2	4.5	2.8
Phono records, audio tape disc	3652	8.3	23.2	13.3
Photofinishing laboratories	7384	4.0	10.9	9.7
Photographic equip & suppl	3861	3.6	9.9	14.0
Plastic matl, synthetic resin	2820	1.2	6.2	18.8
Plastics products, NEC	3089	1.9	5.1	12.5
Plastics, resins, elastomers	2821	1.6	4.3	(20.7)
Pottery & related products	3260	5.7	12.2	64.3
Poultry slaughter & process	2015	3.1	20.7	12.1
Prepackaged software	7372	4.8	9.2	19.2
Printing trades machy, equip	3555	1.1	2.8	4.7
Prof & comi equip & supply-whsl	5040	3.0	8.6	9.6
Pumps & pumping equipment	3561	1.1	3.1	7.9
Radio broadcasting stations	4832	8.6	22.4	21.2
Radio, tv broadcast comm equip	3663	1.0	3.3	4.6
Radio, tv consumer elec stores	5731	5.3	23.8	16.9
Radiotelephone communication	4812	4.2	8.1	28.7
Real estate investment trust	6798	1.5	2.3	6.8
Record & tape stores	5735	1.4	3.3	13.5
Refrig & service ind machine	3580	2.3	6.8	7.8
Retail stores	5990	5.8	12.7	14.6
Rubber & plastics footwear	3021	5.2	14.2	15.4
Sausage, other prepared meat pd	2013	6.9	21.0	8.7
Savings instn, not fed chart	6036	0.9	2.4	(1.5)
Savings instn, fed chartered	6035	0.8	1.8	7.8
Security brokers & dealers	6211	3.1	7.3	13.6
Semiconductor, related devices	3674	1.0	2.4	10.3
Shoe stores	5661	2.8	7.4	(7.6)
Short-term bus credit, ex ag	6153	1.2	2.4	11.5
Skilled nursing care facil	8051	2.3	21.1	(5.1)
Soap, detergent, toilet preps	2840	7.7	17.4	8.7
Special clean, polish preps	2842	14.5	24.8	8.0
Special industry machinery	3550	7.9	33.4	17.5
Special industry machy, NEC	3559	1.4	3.3	14.9
Sporting & athletic gds, NEC	3949	5.5	15.8	13.9
Search det nav guide aero sys	3812	0.2	0.7	1.3
Subdivid develop, ex cemetery	6552	1.3	6.1	6.0
Sugar & confectionery prods	2060	10.6	28.9	10.8
Surgical, med instr apparatus	3841	2.4	4.5	11.9
Svcs to dwellings, other bldgs	7340	1.8	6.2	4.9
Switchgear & switchboard app	3613	1.1	3.3	7.7
Tele & telegraph apparatus	3661	1.6	3.6	9.2
Telegraph & oth message comm	4822	3.3	53.6	2.2
Television broadcast stations	4833	2.5	6.2	1.8
Tires & inner tubes	3011	2.0	7.5	6.7
Unsupp plastics film & sheet	3081	5.3	20.3	3.0
Variety stores	5331	1.9	7.5	8.6
Water transportation	4400	5.4	14.4	6.2
Wmns, miss, chld infnt undgrmt	2340	3.4	8.5	11.4
Women's clothing stores	5621	2.7	7.5	8.6
Womens, misses, jrs outerwear	2330	1.7	6.3	18.5
Wood hshld furn, ex upholsrd	2511	2.9	8.8	18.9

Source: Schonfeld & Associates, 1 Sherwood Drive, Lincolnshire, Ill. 60069 (312) 948-8080. Legend: SIC - Standard Industrial Classification. NEC - Not elsewhere classified. Ad dollars as percent of sales - Ad expenditures/net sales. Ad dollars as percent of margin - Ad expenditures/(net sales - cost of goods sold). Annual growth rate of advertising dollars.

Agency employment rankings

Total staffing at the top 10 U.S. agency employers rose 1% in the most recent six-month period, despite cutbacks at Ogilvy & Mather and elsewhere, due mainly to new business gained from smaller agencies.

Rank	Agency (March ranking)	November 1988	March 1989	% chg
1.	Young & Rubicam (1)	3,093	3,060	1.1
2.	J. Walter Thompson USA (2)	2,585*	2,513	2.9
3.	Foote, Cone & Belding (3)	2,410	2,359	2.2
4.	Leo Burnett USA (5)	2,181	2,077	5.0
5.	Ogilvy & Mather (4)	2,084	2,204	(5.4)
6.	Grey Advertising (7)	1,926	1,877	2.6
7.	DMB&B (8)	1,886	1,823**	3.5
8.	Lintas:USA (6)	1,883	1,920	(1.9)
9.	McCann-Erickson (9)	1,790	1,816	(1.4)
10.	Saatchi & Saatchi (10)	1,680	1,653	1.6
	Totals	**21,518**	**21,302**	**1.0**

*Reflects July acquisition of Anderson Fischel, Dallas, which added 57 staffers. **The March employment figure for DMB&B, its ranking and the top 10 total were restated to include 70 employees of the agency's IMP sales promotion unit, now officially part of the agency's Bloomfield Hills, Mich., office. As a result, it would have ranked eighth, not ninth, in the March tally.
Source: Advertising Age

Agencies stay lean as staffing rises only 1%

By Gary Levin and Jon Lafayette

If it isn't already apparent: The days are gone when a big account win meant a wave of hiring at the largest of agencies.

Instead, the employment picture at major U.S. agencies is remaining flat, *Advertising Age's* semiannual employment survey showed.

Combined U.S. staffing at the 10 largest employers as of this month rose to 21,518, up a meager 1% from last April and a 3.1% increase from November 1988. (The gains also reflect acquisitions by the largest agencies.)

Ogilvy & Mather's total staff dropped 5.4% in the most recent six-month period, by far the most significant decline, while Leo Burnett USA's staff grew 5%, the largest gain.

"[Client] man-hours are not going down. [But] there are fewer people sitting around with nothing to do."

Interpublic Group of Cos.' Lintas:USA and McCann-Erickson Worldwide both reported modest staff declines, while the increases at the other six largest employers ranged from 1% to nearly 3%.

Agencies ranked just below the top 10 include BBDO Worldwide, DDB Needham Worldwide, N W Ayer, Bozell and Backer Spielvogel Bates.

"As everybody else, we're trying to be more efficient," said Peter Schweitzer, vice chairman-agency operations for J. Walter Thompson Co. JWT USA gained 2.9%, but most of that came from the 57 employees inherited with its July acquisition of Anderson Fischel, a Dallas-based recruitment agency.

"We're lucky enough not to have to add massively in the wake of new business and not to have to be cutting back if there are losses," Mr. Schweitzer said. "Everybody's working a little harder. But it will always be an issue when the bulk of your costs are in payroll; you've always got to manage it."

Layoffs themselves are now regarded as a fact of life at agencies, which earlier recoiled at the prospect of putting people on the street. Layoffs, "once a painful thing agencies did with distaste, have become almost mechanized," said one agency chief. "We [simply] look at the numbers and make the adjustments."

"What we're doing is continually restructuring and reorganizing to be efficient," said Edward Wax, president-ceo, Saatchi & Saatchi Advertising. "You've got senior people who are 70% to 80% busy. You're not going to fire them. . . . [Instead] you give them more business to load them up to full efficiency.

"Clients won't suffer; they're getting better people who are more productive. Their man-hours are not going down. [But] there are fewer people sitting around with nothing to do."

Saatchi has filled about half of the 106 jobs that have become vacant since the summer of 1988. Still, Saatchi's staffing levels rose 1.6% in the most recent six-month period. But Mr. Wax noted the agency's new business, including its share of the Burger King Corp. account, was much larger than 1.6% of revenues.

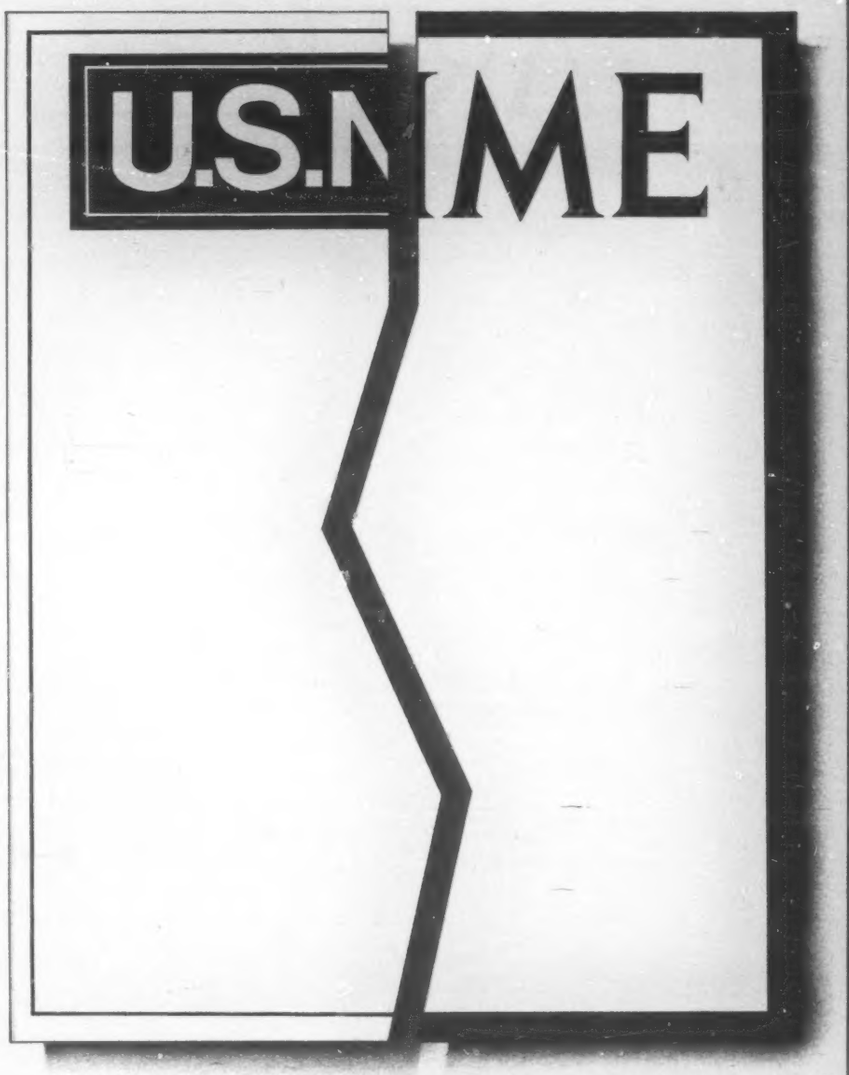
Employment will be particularly tight at companies that have been involved in expensive acquisitions, some executives said.

"I expect that most people are projecting conservative growth," said John Dooner Jr., exec VP and North American president at McCann. "In order to get double-digit profit growth, they'll be pruning like crazy, especially those agencies with a lot of debt."

McCann itself lost 1.4% of its staff since March, after losing R.J. Reynolds Tobacco's Camel and Winston business last summer.

But staff cuts aren't necessarily bad. "It's not the number of heads, but the heads themselves," said PaineWebber analyst Alan Gottesman, who added he's encouraged agencies are able to work more efficiently with leaner staffs. □

Scott Hume in Chicago contributed to this story.



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Source: SMRB 1989. Newsweek Composite Factor Method.

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SPECIAL REPORT

Grocery Marketing

Edited by Pat Gray Thomas

Shopping with the stars S-9
Celebrities hit the store just like the rest of us. A look at what's in some of their carts.

Center of attention S-10
The so-called center of the plate will be the marketing battleground in the '90s.

The greening effect S-14
Savvy marketers are hopping aboard the environmental cause.

The decade's best, worst S-16
What products made news—good and bad—in the '80s, plus what will be big in '90s.

The healthy alternative

Where the grocery industry is heading in the next decade

By Julie Liesse Erickson

1990s

When Eve pulled the apple off the fabled Garden of Eden tree, it had not been treated with Alar or any other environmentally suspicious pesticide; apples and cancer had no connection, nor was there an easier or faster way to eat that apple.

"Since the time of Adam and Eve, food consumption has gone through three general areas," says Ted Keller, VP-sales and marketing for health foods at Pet Inc.

"First humans ate for survival. Then the element of taste and self-indulgence became important. Now we are entering an era when people eat to live longer and have healthier lives.

"The whole notion of food as a life-prolonging system is a revolutionary idea," says Mr. Keller.

Consumers' reaction to products touting oat bran demonstrates they *will* change their habits to extend and improve their lives, he says.

The linkage of diet and health is the most significant of an entirely new set of rules facing the $354 billion grocery industry as it heads into a new decade:

- Although deregulation ruled the 1980s, food labels and advertising likely will be subjected to sweeping new regulations in the next few years.
- Product tampering and microwave gadgetry prompted marketers to add layers of extra protection to their packages. But, as overpackaging becomes a target of the environmentally conscious shopper, the layers are likely to be peeled off.
- In the '80s, retailers challenged the power of manufacturers by leveraging shelf space against ever-increasing promotional dollars, a trend that manufacturers continue to try to address. But the greatest challenge may be a proliferation of private-label products competing with national brands.
- While the products that set the style of the '80s fluctuated wildly between consumers' desire to eat light—for example, Lean Cuisine, Diet Coke, NutraSweet—and their enthusiastic self-indulgence—perhaps represented best by the DoveBar—brands that will succeed in the 1990s must address Americans' hope for a longer life through a healthy diet via fat substitutes, not sugar substitutes.

The greatest challenge for marketers is keeping up with the changes.

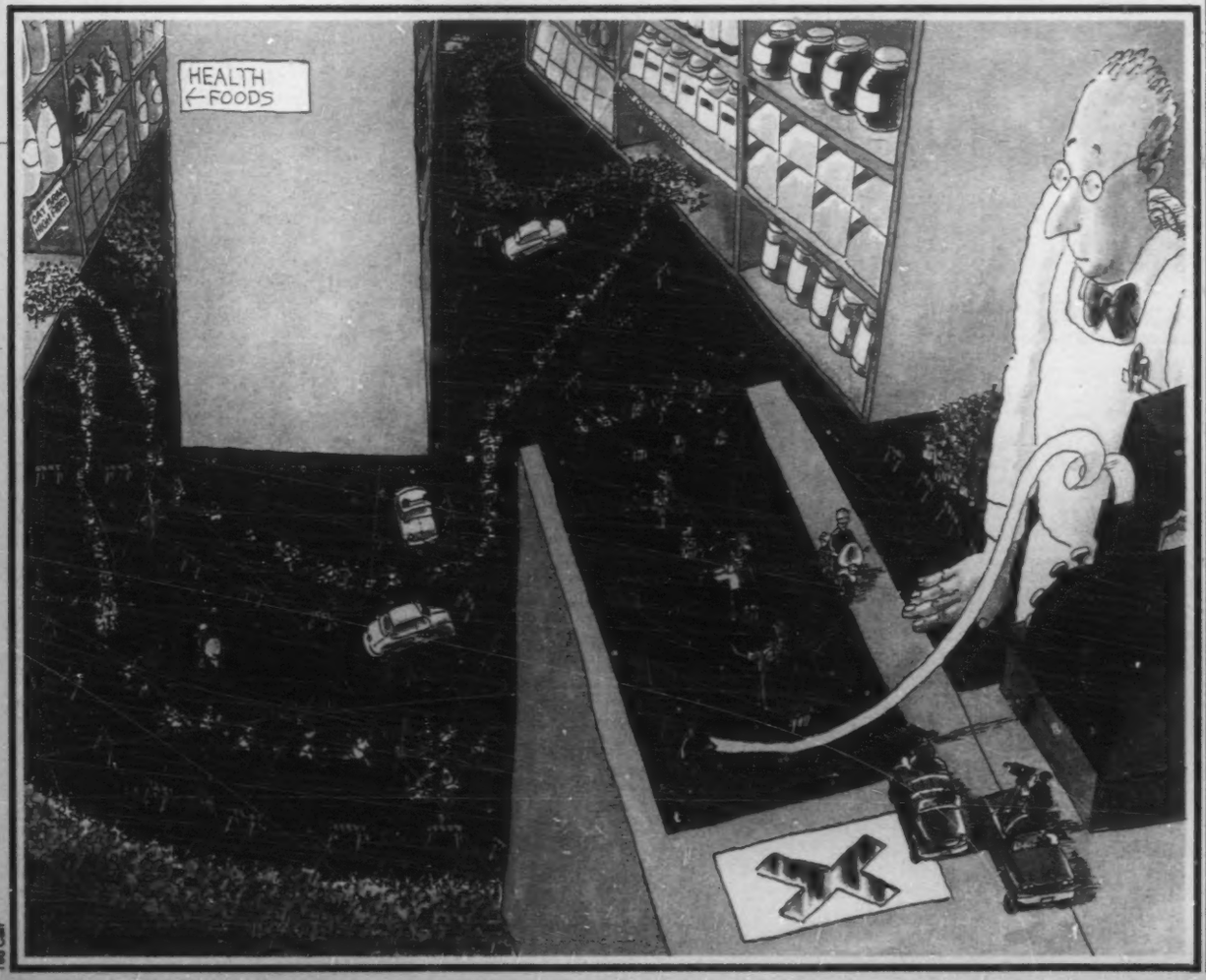
"We're like the drum major in front of the parade; if the crowd turns, we'd better be out front," says Philip Fletcher, president and chief operating officer of ConAgra. "And we have to see what's in front as well as what's behind."

New role for food

Up front for food marketers approaching the next decade is the perceived new efficacy of food that some executives say is one of the most revolutionary ideas—and greatest opportunities—in the industry's history.

"There has been no significant technological change in food processing in years," says ConAgra's Mr. Fletcher. "We've done a lot in terms of packaging innovations to deal with the microwave, but other than

(Continued on Page S-2)

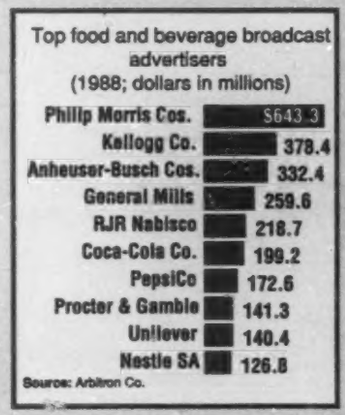


Ted Carr

BAROMETER

Take a number

Top food and beverage broadcast advertisers
(1988; dollars in millions)



Source: Arbitron Co.

Take the pulse

Cleanup in Aisle 6. Some unusual products are falling off the shelves these days. Here's a sampling from the Special Report shopping cart.

Frosty Paws...Dogged determination in convincing stores to stock a dog treat in the freezer case should play on pet owners' guilt about eating DoveBars in front of Fido.

40-Plus Bran...The fortysomething crowd, among others, huffed about this one. Kellogg learned the obvious: No one *wants* to be reminded about their age.

Sealtest Free frozen dessert...While we're waiting for Simplesse and olestra, Kraft General Foods is using cellulose gel as a fat substitute. Isn't cellulose gel what liposuction takes out of bods?

Breakfast with Barbie and **Teddy Grahams Breakfast Bears**...Forget sugar and spice, every nice little kid in America would kill for these cereals.

Clermont frozen venison patties...Bucking common belief that consumers equate eating venison with chowing down on Bambi, Fallow Deer Associates markets venison as "the healthy alternative." If it works, we'll give up Sliders and Big Macs.

The looming battle for center of the plate

Shelf-stable, refrigerated fare attacks frozens

By Judann Dagnoli and Julie Liesse Erickson

PRODUCT

The center of the plate, central to consumers' grocery shopping habits, is likely to become the center of the marketing battle of the '90s. The fight will focus on new shelf-stable and refrigerated meals pushing to replace frozens.

"By the year 2000, it is conceivable that prepared frozen microwaveable foods will be facing very stiff competition from the dry grocery shelves," says Catherine Roberts, a consultant with researcher Find/SVP. "Therefore, it is incumbent upon marketers to develop their strategies now."

Frozen food leaders such as Kraft General Foods Group and Campbell Soup Co. are testing shelf-stable or refrigerated adjuncts to their frozen lines.

At $5.8 billion in 1988 supermarket sales, frozen foods remain the dominant force in the prepared-foods category.

The biggest threat to frozens, Ms. Roberts says, are shelf-stable meals, which have longer shelf lives than refrigerated foods, are more portable than frozens and less costly for retailers to carry.

Shelf-stable foods, she says, have the potential to take away 10% of frozen-food sales by the end of the next decade.

The future is especially bright for "tub" packed shelf-stable foods, such as Dial Corp.'s Lunch Bucket and Geo. A. Hormel & Co.'s chili and stew products, which consumers view as "the logical extension of the can," says Ms. Roberts. Under optimum conditions, tub products could take away as much as 50% of the market for canned vegetables, sauces, soups and prepared foods by 1994, she says.

Shelf-stable microwaveables generally are not perceived to taste as good as frozen foods, but that's likely to change, says Bill Atchinson, senior group product manager for Dial Corp.'s Lunch Bucket shelf-stable line.

"[In] the 1990s, you'll see shelf-stable products closing the product quality gap with frozen," he says.

"It's still an investment in the future," says Mary Anne Jackson, founder and president of My Own Meals. "Although it won't replace canned or frozen foods, the shelf-stable category has more growth potential than any other category in the marketplace."

Because of their portability, "Shelf-stable will be pulling people from a lot of categories, including home cooking. These meals will appeal to people with different needs," Ms. Jackson says.

For retailers, shelf-stable offers financial benefits over frozen or refrigerated foods. Shelf-stable foods offer good margins for retailers, don't require costly refrigerator cases for storage and generate incremental store sales by stealing some business from fast-food restaurants, Mr. Atchinson says.

Shelf-stable foods, by cutting the energy, transportation, storage and handling costs of frozen foods, reduce distribution costs about 25%, Ms. Roberts says.

But shelf-stable foods still have a long way to go.

Tray-packed meals like Hormel's Top Shelf, Kraft General Foods' Impromptu and My Own Meals "are likely to meet a far greater degree of consumer resistance and skepticism than any other category of microwaveable food," Ms. Roberts says.

Some say taste and quality is holding back shelf-stable foods.

"Shelf-stable meals have made real progress and the quality has improved substantially—but not enough to be a serious threat to frozens," says Robert Gillespie, Best Foods president.

Rick Bross, director of marketing-grocery products at Hormel, agrees—to a point. "We have some darn good products out there now, but packaging and food technology is helping us implement better products each day," he says.

Hormel's 2½-year-old Top Shelf is completing national distribution this year, while the company continues to test its Kid's Kitchen line of shelf-stable children's entrees. Top Shelf soon will

Spreading the stability in the '90s

Major marketers' prepared food brands

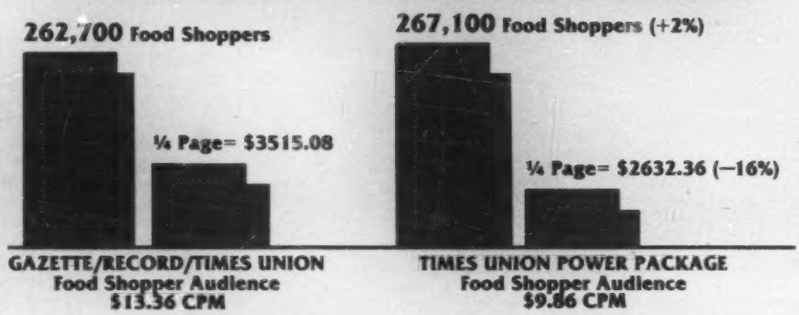
Company	Frozen	Refrigerated	Shelf-stable
Campbell's Soup Co.	Swanson and Le Menu	Fresh Kitchen	Franco-American
Nestle Foods Corp.	Stouffer, Lean Cuisine, Right Course	FreshNes, Contadina Pasta and Cheese	none
Kraft General Foods Group	Karft, Budget Gourmet, BirdsEye, Tombstone	Chillery	Impromptu
Geo. A. Hormel & Co.	New Traditions	none	Top Shelf, Kids Kitchen
Pet Inc.	Downyflake, Old El Paso, Van de Kamp's	Orval Kent	beginning tests

Source: Find/SVP Advertising Age Graph: Holly Seguine

The Best Two Paper Buy In The Eastern New York State Food Market

The Daily & Sunday

TIMES UNION FOOD SHOPPER POWER PACKAGE



GAZETTE/RECORD/TIMES UNION Food Shopper Audience $13.36 CPM

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package four of its varieties in a bowl instead of a box, to help consumers understand its point of difference.

Ms. Jackson believes price is a major barrier to trial for shelf-stable foods.

"Retailers want to price shelf-stable foods according to frozen food prices," she says.

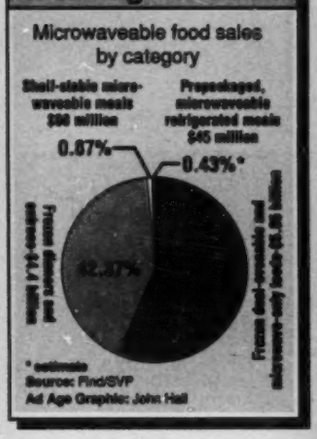
People buy frozen products because it's comfortable, she says. "We have to give them a benefit—lower price—and they will try shelf-stables."

Jules Rose, CEO of Sloan's Supermarkets, believes refrigerated foods—more than shelf-stable and even frozens—have the power to draw more consumers into the store. More and more consumers are shopping the perimeter of the store—where fresh refrigerated cases are usually housed, he says.

To tap the potential of that perimeter, Pet Inc. last year bought deli-salad maker Orval Kent Food Co. as its entry into refrigerated foods. Mary Ellen Roth, VP-sales and marketing for Pet's branded express foods division, will supervise the company's attempt to translate its dry-grocery and frozen brand names—like Old El Paso and Progresso—to the refrigerator case.

However, refrigerated foods also face consumer resistance, particularly in terms of food safety.

Catching the wave



"In the U.K., they had a scare with fresh foods when some of Marks & Spencer's lines turned up with Listeria," says Campbell VP-Market Research Tony Adams.

"Things like that are hard to anticipate and could really hurt the market if it happened here," Mr. Adams says.

Ms. Roth says advances like controlled-atmosphere packaging are critical to category success. New packaging technologies will allow the longer shelf life—30 or 40 days instead of a week—that is key to an efficient distribution system, she says.

And other packaging tools, like time-life indicators that change color when foods are no longer safe, will help build consumer confidence in the category.

"I think if the industry gets to the point where we can deliver fresh food that does not taste processed, which can be a problem with frozen foods, and eliminate mishandling, the taste and freshness of refrigerated foods will win out," says Ms. Roth.

Sales of manufacturers' branded refrigerated microwaveable foods totaled only $5 million to $15 million in 1988, according to Find/SVP.

Retailers have been quick to re-

(Continued on Page S-12)

Chain serves up Buffet

Buffeted by slow-to-respond manufacturers, one convenience chain has cooked up an in-house alternative.

The Fresh Buffet line is Wawa Inc.'s answer to its frustration over food marketers' sluggish response in developing refrigerated products.

The 450-outlet convenience-store chain based in Pennsylvania recently began testing the line of refrigerated entrees in 50 of its stores.

Convenience stores are particularly suited to marketing refrigerated foods because their consumer profile fits uniquely with that of fresh prepared food purchasers, says Ed Burcher, Wawa product planning manager-deli, produce and prepared foods.

Yet, large food manufacturers were not targeting this market.

"A lot of the bigger food companies don't see convenience stores as primary when there are 20,000 supermarkets in the U.S.," says Mr. Burcher.

"Nationally, we're not a big company, but . . . where we distinguish ourselves is in the perishables area," he says.

Another advantage was fresh prepared food buyers tend to consume the products within 24 hours. This fit the profile of convenience-store shoppers, who tend to run in and buy something for quick meals.

"People don't come in and buy 10 [fresh entrees] at a time," he says.

Wawa's Fresh Buffet is made and store-door delivered through an agreement with KeyFresh Foods, a foodservice company that makes the meals using Wawa recipes. There are 20 entrees, but only eight are merchandised at a time, Mr. Burcher says.

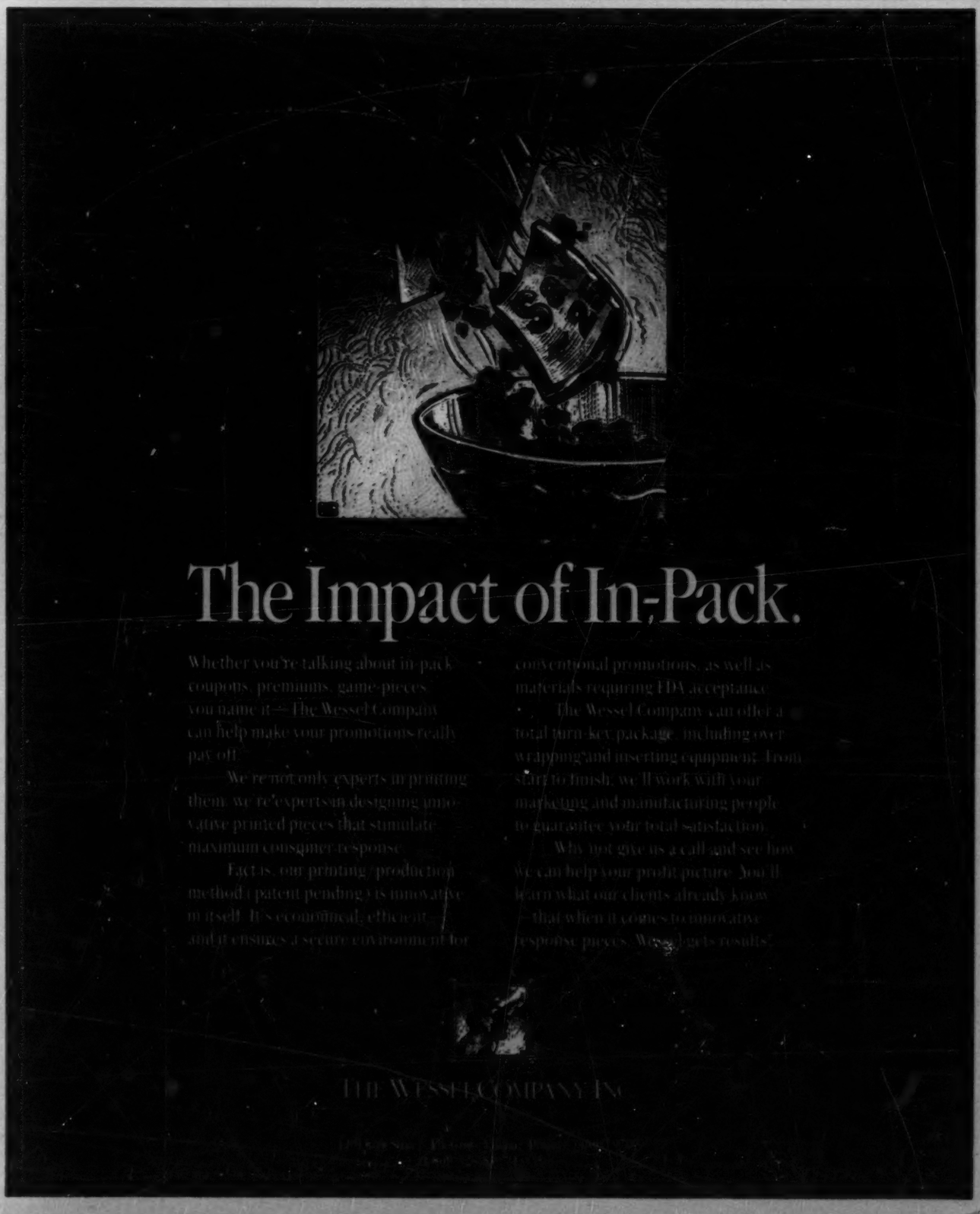
Varieties are mainly home-style, such as Lasagne Bolognese, Chicken Mexicana, Shrimp Creole and Pasta Primavera, and priced at $2.89-$3.99.

Both the prices and varieties differ greatly from General Foods' now-disbanded Culinova unit, which failed from projecting too upscale an image, according to industry insiders.

"People like down-to-earth food they can relate to," says Mr. Burcher.

Wawa began creating its own meals rather than wait for a national manufacturer to jump in because they saw an unfilled need. It was not, says Mr. Burcher, because the chain wanted to keep the high-margin profits. "You can't take 50% margins to the bank if you don't have a good product," he says.

—Judann Dagnoli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There's still shelf space for the off-the-wall

By B.G. Yovovich

ROLE

There's strength in size—when the size is small—says A.E. Hotchner, VP of Newman's Own.

In an era of greater competition for supermarket shelf space, increasingly complicated marketing programs and trade relations, and a market dominated by the mega-giant food combines, the prospects for small, entrepreneurial food marketers may appear less than promising.

But Mr. Hotchner strongly disagrees. He has seen Newman's Own grow from a $40,000 investment in 1983 on an oil and vinegar salad dressing created by movie star Paul Newman to an estimated $44 million in 1989 sales. The line now contains other salad dressings, popcorn, spaghetti sauce and lemonade.

"There are a lot more cracks in the market, more opportunities for small firms today than there were when we started," says Mr. Hotchner.

Newman's Own brain trust: (from l.) President Paul Newman, Exec VP Ursula Hotchner and A.E. Hotchner

According to Mr. Hotchner, the same factors that have spurred interest in ethnic restaurants and exotic cuisines have helped create a receptive consumer environment for new food products.

"The revolution in dining has given the small producer of food products a real chance," he says.

The steadily growing interest in "natural," health-oriented foods has opened new opportunities, as has the emergence of health-food and specialty-food retail outlets.

"There has been a big increase in the number of brokers who distribute to small outlets, and that has been a significant benefit to us," says Mr. Hotchner. "The smaller outlets are willing to place smaller orders, and they don't care as much about small price differentials."

Effectively using this channel of distribution is crucial to a new venture's success.

"It is a mistake [for small producers of food products] to start out by trying to get into the bigger supermarkets," he says. "Those buyers are tough. They drive hard bargains, and they have to be sold on the notion that your product will sell.

"You have got to go into small stores that don't have that kind of competition and where you don't have to buck the big food combines. If you make headway there, you can take the money you make, reinvest it, and begin to promote your product to eventually interest the bigger stores."

Mr. Hotchner also believes entrepreneurs can top large companies in delivering a quality product to consumers.

"My feeling is that the big food companies spend a lot of money on advertising and promotion, but they turn out an inferior product," says Mr. Hotchner.

Small companies need to take advantage of that and make sure that "the product that you put on the shelf is different, has some appeal, and is better than what the big guys put out. If you make it good, people will discover it. And, if you have a product that sells, the retailers will stock it." □

Michael A. Marcolla

Mary Anne Jackson

PEOPLE TO WATCH

Mary Anne Jackson started out with a typical mother's goal: providing nutritious and hot but convenient meals for her children.

But Ms. Jackson, 36, isn't an ordinary mom. Formerly director-operations planning for the Swift-Eckrich division of Beatrice Co., Ms. Jackson used her food industry expertise to create My Own Meal, a line of shelf-stable meals for children.

Two-and-a-half years later, My Own Meal is distributed in about 1,000 Midwest grocery stores, and in 86 Toys R Us stores in the Midwest, New York, Connecticut and New Jersey. If the Toys R Us test succeeds, it could be expanded to the rest of the chain.

Ms. Jackson's Deerfield, Ill.-based company uses direct mail and spot TV, produced by an ad-hoc group of freelancers, to support the product line. Daughter Katie, 4½, stars in the commercials with mom; son Joey, 2, helps as a taste tester.

Ms. Jackson's current goal is to get My Own Meal into national distribution. After that, she's eyeing line extensions and other products.

"But my objective is to focus on kids," she says. "I believe in doing one thing well."

—Julie Liesse Erickson

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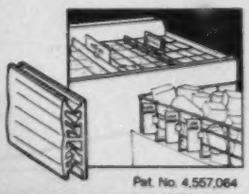

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(Continued from Page S-11)

spond with unbranded refrigerated food sales—often prepared by the retailer. Find/SVP reports sales of these products reached $30 million to $40 million.

Convenience, one of the biggest advantages of refrigerated foods, can become a drawback if not carefully handled, says Philip Fletcher, president and chief operating officer of ConAgra.

"Most families, especially when both spouses are employed, want quick, good-tasting food," he says. "But I specifically avoid the word convenient; we in the frozen-food business did ourselves a disservice by promoting our products as convenient only."

"The growth of alternative technologies doesn't mean the death of frozen foods," says Hormel's Mr. Bross.

"The demand for convenience foods is going to continue so strong that as shelf-stable and refrigerated foods explode, frozens probably will grow, too," he says. "But their rate of growth won't keep up with the growth in shelf-stable and refrigerated products."

What will be hurt are canned foods and restaurants, Ms. Roth says. "As consumers look for a better diet, I think the grocery store will be perceived as the best place to go to eat well." □

Bradley Johnson in Los Angeles contributed to this report.